



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

September 18, 2000

H.R. 5173 **Debt Relief Lock-box Reconciliation Act for Fiscal Year 2001**

*As ordered reported by the House Committee on Ways and Means
on September 14, 2000*

H.R. 5173 would establish the Public Debt Reduction Payment Account, a new account in the Treasury of the United States, and would appropriate \$42 billion into that account for fiscal year 2001. Transactions of the new account would be off-budget, and funds in the account would be used to retire or purchase outstanding federal debt held by the public. The bill would also reduce the statutory limit on the public debt by \$42 billion. In addition, H.R. 5173 would create additional procedures—so-called "lockboxes"—to deter legislation that would result in total budget surpluses that were less than the combined surpluses of the Social Security and Medicare Hospital Insurance programs. The bill also would prohibit the Office of Management and Budget (OMB), the Congressional Budget Office, and any other federal agency from including in budgetary totals the outlays and receipts of the Social Security program.

This bill would not affect the total spending, receipts, or surplus of the federal government. This bill is intended to increase the off-budget surplus by reducing the on-budget surplus. Whether it would affect the allocation of the budget surplus between the on-budget and off-budget categories would depend on the budgetary treatment chosen by OMB.

H.R. 4601 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would have no effect on the budgets of state, local, or tribal governments.

Budgetary Implications

Although H.R. 5173 would have no overall budgetary effect, the bill could change the on-budget and off-budget surpluses depending on OMB's treatment of the transactions. If the treatment parallels the budgetary treatment of subsidy appropriations to the Postal Service and interest payments to the Social Security trust funds, the on-budget outlays would be offset by off-budget receipts or collections. In that case, the bill would reduce the on-budget

surplus, increase the off-budget surplus, but leave the total federal surplus unaffected. (It is possible, however, that OMB would choose an alternative approach, which could result in no change in either the on-budget or off-budget surplus.)

To the extent that any on-budget surplus is not used for additional spending or for reductions in taxes, it would automatically be used to reduce the federal debt. This bill, therefore, would help reduce the public debt by reducing the reported on-budget surplus, but only if it inhibits the use of some of that surplus for spending increases or tax reductions.

Budgetary Treatment

For Congressional scorekeeping purposes, CBO would record payments from the general fund of the Treasury to the off-budget Public Debt Reduction Payment Account as direct spending. H.R. 5173, however, specifies that the appropriation to the account would not be classified as direct spending. Therefore, once the bill is enacted into law, pay-as-you-go procedures would not apply to the appropriation. However, that language does not affect the treatment of the bill for Congressional scorekeeping purposes.

The CBO staff contact for H.R. 5173 is Paul Cullinan. This estimate was approved by Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.